

SUMMARY OF CONTRACTS

INTRODUCTION

The purpose of this Summary of Contracts is to summarize the principal terms of the Asset Purchase Agreement and related agreements which have been executed in connection with the Divestiture Transaction.

The Asset Purchase Agreement governs the terms of the transaction as a whole among New England Power Company (“NEP”), The Narragansett Electric Company (“Narragansett”), and USGen New England, Inc. (“USGenNE”). The IPP Contracts Transfer Agreement and Wholesale Customer Support Agreements govern the transfer to USGenNE of the economic benefits and obligations of the NEP Power Purchase and Power Supply Agreements. The Wholesale Standard Offer Service Agreements govern the provision of wholesale power to Massachusetts Electric Company and Narragansett (together, referred to as the “Retail Companies”) for Standard Offer service. The Continuing Site/Interconnection Agreement governs the relationship between the NEP and USGenNE after the closings.

SUMMARY OF ASSET PURCHASE AGREEMENT

I. Overview.

- The Asset Purchase Agreement governs the sale to USGenNE of substantially all of the non-nuclear generating business of NEP and Narragansett, including NEP’s interests in Purchased Power Contracts (the “PPAs”), but excluding NEP’s interest in the Wyman 4 generating station, which will be sold separately, and certain small diesel units in three locations.
- The parties to the Asset Purchase Agreement are NEP, Narragansett, and USGenNE. Narragansett’s involvement is limited to the transfer of its ownership interest in Manchester Street (and related representations and covenants). For that reason and to make it this Summary easier to read, the Summary refers primarily to NEP when discussing the obligations under the Asset Purchase Agreement. PG&E Corporation (“PG&E Corp.”) has executed a Guaranty, guaranteeing the performance by USGenNE of all of USGenNE’s obligations (including the making of all required payments) under the Asset Purchase Agreement and the IPP Contracts Transfer Agreement.
- Under the Asset Purchase Agreement, USGenNE will pay \$1.59 billion. \$1.45 billion will be paid to the Sellers at closing. \$225 million of this bid will be held back by USGenNE, subject to a post-closing adjustment based on the timing of implementation of retail choice in Massachusetts and New England. In addition, USGenNE will pay NEP \$85 million to cover the cost of early retirement, severance, and retraining programs for employees of the

New England Electric System Companies affected by the sale and by the introduction of retail choice.

- It is a condition to closing that NEES transfer the stock of Narragansett Energy Resources Company (“NERC”) to NEP, and NEES has executed a letter to NEP confirming NEES’ intention to transfer the NERC stock. NERC owns a 20% partnership interest in the Ocean State Power units. In addition, New England Power Service Company (“NEPSCO”) will assign its interest in the collective bargaining agreements and any other appropriate agreements or assets to USGenNE.

II. Transfer of Assets and Liabilities.

- Certain assets of NEP and Narragansett are specifically excluded from the sale, including (i) NEES and the NEP names, trademarks, etc., (ii) specified transmission, distribution, substation and communications facilities and related support equipment and (iii) refunds of real estate taxes relating to periods before closings.
- Pursuant to the Asset Purchase Agreement, NEP will retain certain liabilities (the “Excluded Liabilities”) including, (i) liabilities relating to excluded assets, (ii) off-site environmental liabilities, (iii) liabilities accrued prior to the closing and (iv) claims relating to personal injury, discrimination, wrongful discharge, unfair labor practices or similar claims filed or pending with relevant authorities prior to the closing.
- Pursuant to the Asset Purchase Agreement, USGenNE will assume (and indemnify NEP against) all of the liabilities principally relating to the purchased assets, including (i) the PPAs, (ii) all environmental liabilities (whether known or unknown, existing or future) other than existing off-site liabilities and liabilities relating to transmission lines, transmission and distribution switchyards and related electrical equipment which NEP will keep on-site at the purchased assets after the closing, (iii) liabilities and obligations relating to the “Standard Offer” backstop obligations and (iv) and specified employee related obligations and liabilities (including the assumption of the “Main Table” collective bargaining agreements).

III. Purchase Price Adjustment

- In addition to the purchase price, NEP will be reimbursed for certain specified maintenance and capital expenditures made during the period from the signing of the Asset Purchase Agreement to the closing. NEP will also be reimbursed for the net book value, as of each closing date, of all fuel inventory and stores inventory relating to the Purchased Assets.

- Under the Asset Purchase Agreement, \$225 million of the purchase price will be withheld by USGenNE and will be remitted to NEP based on the timing of the implementation of retail choice. If customers representing 89% of investor-owned utility kWh sales in Massachusetts or 50% of kWh sales in New England have retail choice prior to the later of the closing or January 1, 1999, NEP will receive the entire \$225 million. If retail choice occurs later, the payment will be proportionately reduced in accordance with the following sliding scale:

January 1, 1999 - January 1, 2000	\$225 million to \$150 million
January 1, 2000 - January 1, 2001	\$150 million to \$100 million
January 1, 2001 - January 1, 2002	\$100 million to \$50 million
January 1, 2002 - December 31, 2002	\$50 million to -0-

If the retail choice standard described above has not occurred prior to December 31, 2002, the entire \$225 million will be kept by USGenNE.

IV. Representations and Warranties.

- The Asset Purchase Agreement contains customary representations and warranties of NEP, subject, in many cases, to exceptions for: (a) items disclosed in the Asset Purchase Agreement's disclosure schedules and (b) items that would not have a "Material Adverse Effect."
- The Asset Purchase Agreement also contains representations and warranties of USGenNE which are customary in the case where USGenNE is purchasing assets entirely for cash without any financing condition.

V. Other Covenants and Agreements.

- Interim Operations. Under the Asset Purchase Agreement, NEP agrees to operate the purchased assets in the ordinary and usual course of business consistent with good industry practice until the closing. Subject to any exceptions set forth in a disclosure schedule, NEP is restricted during this time from certain actions, without the consent of USGenNE, including (i) incurring indebtedness secured by the purchased assets (with certain exceptions for "Permitted Encumbrances"), (ii) materially changing customary levels of fuel and other inventory, (iii) selling or otherwise disposing of any purchased assets other than in the ordinary course of business, (iv) amending any PPA or other contract to be transferred to USGenNE (except for the collective bargaining agreements) other than in ordinary course of business, (v) entering into or amending any property tax agreement, (vi) enter into any commitment for the purchase or sale of fuel or power, that

extends beyond March 31, 1998, or (vii) enter into any commitment or contract for goods or services to be delivered after March 31, 1998 in an amount greater than \$1,000,000.

- Access. During the period prior to the closing, NEP will grant USGenNE reasonable access to the purchased assets and to information relating to the assets.
- Tax Matters. Under the Asset Purchase Agreement, USGenNE will bear the cost of all transfer and sales taxes. In addition, NEP and USGenNE agree to make, with respect to the sale of the stock of NERC, a joint election under Section 338(h)(10) of the Internal Revenue Code. This election allows USGenNE and NEP to treat the acquisition of the stock of NERC as an acquisition of NERC's underlying assets.
- Union Employees. USGenNE will be required to recognize the relevant unions as the collective bargaining agent for the workforce and to assume NEP's obligations under the Main Table collective bargaining agreements for the duration of their terms. However, USGenNE will not be required to assume NEP's obligations under any other union agreements, including local agreements (other than the BUW contract at Manchester Street). USGenNE will be required to offer employment to rostered employees at the sites in accordance with the seniority provision of the Main Table Agreements to the extent USGenNE fills union rostered positions, but USGenNE will not be required to offer employment to all rostered employees. USGenNE will be required to provide union employees it hires with the wages and benefits set forth in the Main Table Agreements, through the expiration date of the Main Table Agreements.
- Non-Union Employees. USGenNE may offer employment to any non-union employee whose employment relates to NEP's generation business function or the purchased assets. For the 12 months following the closing, USGenNE is required to provide such non-union employees, which it hires, with total compensation (including salary, bonuses, and benefits contained in the employee benefit plans, programs and fringe benefit arrangements) which is, in the aggregate, at least equivalent in value to the total compensation they received prior to the closing. USGenNE will also be required to provide any employee it hires and then terminates within 18 months of the closings with an enhanced severance package at least equal to that provided by NEP prior to the closings.
- Risk of Loss and Condemnation. NEP bears the risk of loss or damage to the purchased assets until the closing. If during the period prior to closing, there is a loss to, or condemnation of, purchased assets which has a Material Adverse Effect, the parties are required to negotiate in good faith to settle the loss and, upon such settlement, consummate the transactions contemplated by the Asset Purchase Agreement pursuant to the terms of the Asset Purchase Agreement. If a negotiated settlement cannot be reached within 60 days of notice of a loss or condemnation relating to the Fossil Assets, then either party may terminate the Asset Purchase Agreement.

- Easements. Although not technically agreements, certain reservations of easements (which will be exhibits to the Asset Purchase Agreement) will be included in the deeds to the real property being transferred at the closing (such as easements for transmission lines) and will limit certain of USGenNE's rights with respect to the real property being transferred.
- Other. The Asset Purchase Agreement also contains other customary covenants and agreements, including covenants relating to further assurances, expenses, and cooperation and consultation with regulatory filings and public announcements.

VI. Conditions to Closing.

- Each party's obligations to consummate the closing are conditioned upon (i) the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act having expired or been terminated, (ii) all specified federal, state and local government consents and approvals having become final orders and no court having enjoined the transaction and (iii) all required contractual consents and approvals relating to any contract or other agreement of NEP and USGenNE having been obtained, other than those (x) which if not obtained, would not, in the aggregate, have a Material Adverse Effect or (y) where a "back-to-back" agency relationship can be established.
- The obligation of USGenNE to consummate the closing is further conditioned on (i) no Material Adverse Effect having occurred and be continuing, (ii) NEP having materially performed its covenants and agreements contained in the Asset Purchase Agreement, (iii) NEP's representations being materially true as of the date of the Asset Purchase Agreement and the closing, (iv) there being no encumbrances on any of the purchased assets by virtue of NEP's indentures and (v) the receipt of customary officers' certificates and an opinion of counsel. USGenNE's obligation to consummate the closing is also conditioned on the qualification of USGenNE as an exempt wholesale generator under the Energy Policy Act of 1992 and receipt of authorization to sell power at market based rates under Section 205 of the Asset Purchase Agreement. In addition, the closing is further conditioned upon (i) the transfer by NEES to NEP by the time of the closing of all of the stock of NERC and (ii) the assignment by NEPSCO to USGenNE of NEPSCO's rights under the Main Table agreements and certain other contracts.
- The obligation of NEP to consummate the closing is further conditioned on (i) USGenNE having materially performed its covenants and agreements contained in the Asset Purchase Agreement, (ii) USGenNE's representations being materially true as of the date of the Asset Purchase Agreement and the closing and (iii) the receipt of a customary officer's certificate and an opinion of counsel.

VII. Indemnification.

- The Asset Purchase Agreement provides that NEP will indemnify USGenNE from any breach by NEP of any covenant or agreement and from the “Excluded Liabilities.” The Asset Purchase Agreement also provides that USGenNE will indemnify NEP from any breach by USGenNE of any covenant or agreement and from the “Assumed Liabilities.”
- The Asset Purchase Agreement provides for limited indemnification of USGenNE by NEP for breaches of NEP’s agreements and covenants, and the representations concerning corporate organization and necessary authority. The Asset Purchase Agreement also provides that only the representations of NEP and USGenNE concerning corporate organization and necessary authority will survive the closing, which shall survive for eighteen months following the closing. The Asset Purchase Agreement provides a \$5,000,000 “basket” for Sellers’ indemnification of USGenNE.
- The Asset Purchase Agreement provides that its indemnification provisions are the sole and exclusive rights and remedies of each party in respect of any claim under the Asset Purchase Agreement, other than for willful breaches of the Asset Purchase Agreement for which the parties retain their remedies at law or in equity.

VIII. Termination.

- The Asset Purchase Agreement may be terminated or extended at any time by mutual consent of the parties. In addition, either party may terminate the Asset Purchase Agreement if the closing has not occurred by the first anniversary of the Asset Purchase Agreement (the “Termination Date”) unless the delay is caused by a failure to obtain all specified required regulatory approvals, in which case the Termination Date shall be eighteen months from the date of the Asset Purchase Agreement.
- The Asset Purchase Agreement may also be terminated before the Termination Date if (i) a required governmental consent has been denied, (ii) a court of competent jurisdiction has permanently enjoined the sale of the Purchased Assets or (iii) there has been a material breach of the Asset Purchase Agreement by one of the parties that has rendered the satisfaction of any condition to any of the obligations of the non-breaching party which relate to the Purchased Assets impossible and the breach has not been waived by the non-breaching party.

SUMMARY OF CONTINUING SITE/INTERCONNECTION AGREEMENT

- The purpose of the Continuing Site/Interconnection Agreement is to set forth the continuing obligations, responsibilities and liabilities of NEP/Retail Companies and USGenNE as they relate to operation, construction and maintenance of equipment; access to each other's property, provision of services, environmental protection and safety.

The Continuing Site/Interconnection Agreement:

- provides for permanent easements on USGenNE's property.
- sets forth the rights of the parties to enter the facilities and property of each other in order to maintain, repair, operate, upgrade, etc., equipment that is housed on or in the other's property or facilities.
- prohibits the parties from using property or facilities in any manner that interferes with the ability to generate or transmit electricity. It gives NEP the right to access or purchase that equipment owned by USGenNE necessary for NEP to run their transmission and distribution businesses should USGenNE or its successor cease its operations, become bankrupt, or use the property in an inappropriate manner.
- sets forth services that are logical to provide each other as a result of the integrated nature of the assets such as substation service power, revenue metering, generator and substation operations and maintenance services, line operation information, and meter reader services.
- requires NEP to provide interconnection service to USGenNE, describes the points of interconnection, the costs, and the obligations and responsibilities of USGenNE as an interconnection customer of NEP.
- sets forth the liability of the parties for property damage and personal injury. Except for negligence, each party is responsible for physical damage to or destruction of solely owned equipment and any personal injuries to its own employees arising from such equipment, regardless of who causes the damage or injury. Damage or degradation to substation control cables is evenly divided if the damage or degradation is \$25,000 or less per incident. If the cost is greater than \$25,000 liability shall be based upon cause for damage and based upon usage for degradation.

SUMMARY OF IPP CONTRACTS TRANSFER AGREEMENT

- Pursuant to the Asset Purchase Agreement, NEP has committed to try to assign the Power Purchase Agreements (the “PPAs”) to USGenNE prior to the closing.
- With respect to those PPAs not assigned prior to the closing, USGenNE will, pursuant to IPP Contracts Transfer Agreement, agree to act (in a “back-to-back” arrangement) as NEP’s agent after the closing in order that USGenNE have, to the maximum extent possible without triggering an unauthorized assignment, the full economic benefit (or burden) of such contract.
- As NEP’s agent, USGenNE will be administering the PPAs. They will be authorized to take all actions that NEP may lawfully take under the PPAs without further approval by NEP; except that NEP’s prior written consent will be required for certain material actions.
- NEP will make available to USGenNE at the point at which a power seller makes delivery to NEP all energy and any other benefits NEP receives under each PPA from such power seller. NEP will then reimburse USGenNE for all costs reasonably incurred by USGenNE in transmitting such energy to the NEPOOL Transmission Facility system.
- NEP will continue to make payments to power sellers under unassigned PPAs. USGenNE will pay to NEP each month all amounts properly due from NEP to a power seller for the preceding month less the amount of a monthly support payment in the amount of \$14,166,667 during the first half of the period between the closing and January 31, 2008, and \$12,500,000 during the second half of the period between the closing and January 31, 2008 which NEP will make to the power sellers in support of the PPAs.
- In any month where the full support payment is not necessary to make full payment under the PPAs, any excess will accrue to the next month’s payment. At the end of the term of this Agreement any accrued and unpaid support payments will be paid to USGenNE.
- Upon certain “Trigger Events” (assignment of the PPA to USGenNE, termination of the PPA, or negotiations or legislative, regulatory, judicial or other changes causing a reduction in obligations under the PPA) NEP will make a “Trigger Payment” to the power suppliers (or as designated by USGenNE). In the case of assignment or termination the value of the Trigger Payment will be based on the discounted present value of the support payment stream, multiplied by the percentage of the support payment stream allocated to the relevant PPA. In the case of a reduction in the PPA obligations the value of the Trigger Payment will be based on such discounted present value multiplied by a “Reduction Factor” representing the proportion by which the costs under the relevant PPA, minus \$.032 per kWh, have been reduced.
- NEP and USGenNE indemnify each other for losses arising out of their relationships or obligations, resulting from the IPP Contracts Transfer Agreement (USGenNE

indemnification of NEP does not include costs of administering the PPAs). NEP further indemnifies USGenNE for obligations of NEP for any acts or omissions under the PPAs incurred prior to the closing.

SUMMARY OF WHOLESALE CUSTOMER SUPPORT AGREEMENTS

- Pursuant to the Asset Purchase Agreement, NEP has committed to try to assign its power purchase contracts (“Power Contracts”) with 27 IPPs and utilities to USGenNE prior to the closing. With respect to those Power Contracts not assigned prior to the closing, USGenNE will, pursuant to the IPP Contracts Transfer Agreement, agree to act (in a “back-to-back” arrangement) as NEP’s agent after the closing in order that USGenNE have, to the maximum extent possible without triggering an unauthorized assignment, the full economic benefit (or burden) of such contract.
- As NEP’s Agent, USGenNE will be administering the Power Contracts. They will be authorized to take all actions that NEP may lawfully take under the Power Contracts without further approval by NEP; except that NEP’s prior written consent will be required for certain material actions.
- Under the Wholesale Customer Support Agreements, all electric energy will be delivered to NEP at the point at which the third party power purchaser takes delivery from NEP under the terms of the Power Contracts. USGenNE is responsible for making all arrangements necessary for the transmission of such energy to such delivery points.
- NEP will pay to USGenNE all amounts it receives from such third party power purchaser for the preceding month under each Power Contract.
- Each party is entitled to indemnification under the Wholesale Customer Support Agreements to the extent and in the same manner as in the Asset Purchase Agreement.

**SUMMARY OF
WHOLESALE STANDARD OFFER SERVICE AGREEMENTS
AND NUCLEAR WHOLESALE POWER AGREEMENT**

- Simultaneously with the signing of the Asset Purchase Agreement, USGenNE has entered into Wholesale Standard Offer Service Agreements with Massachusetts Electric, Nantucket Electric, Narragansett Electric and, if required by New Hampshire regulations or legislation, will enter into a similar contract with Granite State Electric, to provide wholesale power to enable the Retail Companies to continue to serve their customers (i) during the period (if any) preceding retail choice and (ii) once retail choice has occurred, to the extent that those customers elect Standard Offer service that is not procured by the Retail Company through a bid process. Pricing for both transition service and Standard Offer service will be at the prices set forth in the applicable state settlement.
- In addition, under the Nuclear Wholesale Power Agreement, NEP has offered USGenNE a “first-call” on 98% of the output of NEP’s nuclear interests. USGenNE may purchase that output at the lower of Standard Offer prices or NEPOOL spot prices. The agreement will terminate if NEP sells its nuclear interests (or they are retired) or if USGenNE no longer has an obligation to provide Standard Offer service.